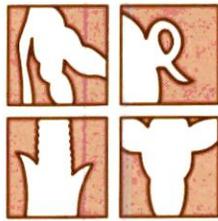




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

October 1, 1986

CHANGES IN GRAIN STANDARDS

TWO RECENT CHANGES IN GRAIN STANDARDS or their interpretation may affect prices that farmers receive this harvest. The first change was effective in September 1985. The USDA officially removed moisture as a grade determining factor in corn, soybeans, and grain sorghum. The rationale is that only dry matter has intrinsic value, and prices presumably reflect only the value of the amount of dry matter. Under the new standards, farmers, elevators, and exporters can buy or sell No. 2 corn, for example, regardless of its moisture content. Moisture content must still be reported on the certificate. The grain industry has responded to this change by specifying 15.0 percent as the base moisture content for price quotations, and there are discounts for moisture above this level. Presumably, prices will reflect the value of the dry matter in corn, regardless of the moisture base level.

Under the old standards, the base moisture was arbitrarily set at 15.5 percent, which meant that producers and elevators had an incentive to sell or store grain at unsafe moisture levels. Because corn needed to be at a lower moisture level for safe storage and transport, many elevators were already ignoring the moisture level in determining grade before this change. The international market was also avoiding the moisture content in numerical grades. For example, most foreign purchasers of U.S. corn specify No. 3 grade, except for the moisture content at 14.5 or 15.0 percent, rather than the 17.5 percent that was specified for No. 3 corn.

The second and more recent change is a stricter interpretation of what constitutes damage in soybeans. Pictures of damaged beans or so-called "interpretative line slides" have been used to identify the level of damage that results in a bean being classified as damaged. If beans have more than 2 percent total damaged beans, they will not grade No. 2. Complaints about quality from foreign buyers was part of the motivation for this change.

Five of the ten interpretative line slides were originally changed so that less serious damage results in a bean being classified as damaged. Effective September 24, 1986, the slide for moldy beans was changed again so that it is almost as lenient as the old interpretation. The changes now affect weathered and ground beans, heat damage (usually due to excessive respiration in storage), and frost-

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damaged or immature (green) beans. These types of damage affect the free fatty acid content in beans and tightening the standards will improve the average quality of No. 2 beans.

Elevators are cautious about interpreting the new standards as they do not know what will grade No. 2 at the Gulf or how beans will grade after a year's storage. With little experience, buyers may grade severely in order to be sure they do not have losses when they resell on an official certificate to an exporter or processor. It may take the market some time to sort out what the new information means for prices. Farmers who are concerned about a discount for damage have the option of submitting a sample to a licensed FGIS inspector for an official grade. If a farmer requests the elevator to send the sample in for official grading, then the elevator will pay the fee for the official grade and both parties will receive the results.

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